

Patent Law Yesterday, Today and Tomorrow: Confessions of a Treatise Author

Remarks by Donald S. Chisum to the Pauline Newman IP American Inn of Court*

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Introduction

Good evening. I am passionate about the law, and about patent law in particular. Tonight I'm going to urge that you adopt the same passion. I am *not* suggesting that you should write a treatise on patent law; that's what I call my day job.

Let me briefly describe what my day job is and has been. The treatise, *Chisum on Patents*, that Don Dunner mentioned in his kind introduction was written by me alone in 1974 to 1977. It took about a year to be edited, published, and evaluated. The treatise was published in October 1978. At that point it comprised five volumes, which was one more than I think we projected.

Since that time I have been annually and constantly updating the treatise. Originally, we issued two releases a year, but now it is up to five. The result is, at last count, 136 revisions. Each revision comes out as a package of pages that you integrate into the loose-leaf binder. Today, of course, each revision is also integrated into the electronic version of the treatise, which is available on www.Lexis.com.

The creation of the Court of Appeals for the Federal Circuit on October 1, 1982, significantly changed the treatise. A separate section began to grow, known as the "Federal

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Circuit Guide.” The Guide is devoted specifically to abstracts of Federal Circuit decisions. The treatise is now at 33 volumes total, 13 of which are text, and about 20 of which make up the Guide, covering thousands of decisions by the Court of Appeals for the Federal Circuit. That’s my day job.

Another of my passions is writing journal articles. That is what I am going to urge that you do. Whether you are a junior associate or a senior partner, but especially if you are a junior lawyer, consider writing articles on aspects of the law, particularly patent law. I’ve been doing that, starting in at least 1971. I confess that some of my articles were good and some were not, but I should have written more.

It is my recommendation that writing journal articles is good practice for practitioners, not simply for academics and treatise writers. Indeed, when doing the original research for the treatise back in the 1970s, I relied heavily on very perceptive articles by practicing patent attorneys. They provided a wealth of valuable information, and I am sure those authors learned a great deal about their subjects in the course of writing their articles.

My advice is to spice up your professional life by writing articles on good topics. Towards the end of this speech I’ll even suggest some topics that you can go to work on first thing tomorrow. The process will sharpen your writing and analytic skills, free of the constraints of a particular context, such as a client. It will also influence your colleagues, possibly even the courts.

But even if your article doesn’t influence the courts, there is something satisfying when, after a court handles an issue and they don’t really get it right, you can look back and say, “Ah, but I wrote about that and proposed the right solution.” Producing scholarship gives you, intellectually, a benchmark perspective for observing subsequent development of the law.

Let me give you a few examples of good articles written *before 1977* on still-relevant topics:

- Dunner, Gambrell, White & Kayton, *Nonstatutory Subject Matter*, 14 JURIMETRICS J. 113 (1973).
- Gambrell, *What is a Printed Publication within the Meaning of the Patent Act*, 36 J. PAT. OFF. SOC'Y 391 (1954).
- Ellis, *Subsequent Inventor's Patent Rights with Regard to an Invention Previously Made by Another Who Kept it Secret*, 35 J. PAT. OFF. SOC'Y 259 (1953).
- Lorenzo, *The Inventive Entity and the Law of Double Patenting*, 50 J. PAT. OFF. SOC'Y 309 (1962).

Look at the first article. One of the co-authors is Donald Dunner, the person who kindly introduced me tonight. Look at the topic, “Non-statutory Subject Matter,” and the publication date of 1973. Is that subject still relevant today in 2013? Of course it is.

The article by James Gambrell in 1954 dealt with what is a “printed publication” within the meaning of the Patent Act. We are still facing that issue today and will continue to face it with the America Invents Act of 2011.

If you are a young lawyer, or maybe even a student, I cite for you two student-written law review articles that proved enormously influential on the development of patent law:

- Note, *Subtests of “Nonobviousness”: A Nontechnical Approach to Patent Validity*, 112 U. PA. L. REV. 1169 (1964) (cited by Supreme Court in 1966 *Graham v. John Deere* decision)
- Note, *New Guidelines for Applying the “On Sale” Bar to Patentability*, 24 STAN. L. REV. 730 (1972) (sparked expansion of “on sale” bar).

The note by a student at the University of Pennsylvania Law Review in 1964, on “Subtests of Nonobviousness,” is about secondary considerations. It was cited by the Supreme Court in the 1966 *Graham* decision [*Graham v. John Deere Co. of Kansas City*, 383 U.S. 1 (1966)],

providing the rationale for giving weight to secondary considerations. The second student article, from my alma mater Stanford on the “on sale” bar back in 1972, really sparked an expansion of the on sale doctrine, which was subsequently carried forward and expanded further by the Court of Appeals for the Federal Circuit. Even if you are young, you can write and publish and possibly have a great deal of influence.

And judges publish too! See, for example:

- Rich, *Laying the Ghost of the Invention Requirement*, 1 APLA Q.J. 26-45 (1972).
- Rich, *Extent of Protection and Interpretation of Claims—American Perspectives*, 21 INT’L REV. INDUS. PROP. & COPYRIGHT L. 497, 499 (1990).
- Kieff, **Newman**, Schwartz & Smith, *PRINCIPLES OF PATENT LAW* (5th ed. 2011)

I list a couple of my favorite articles from Judge Giles Rich, whom Don Dunner mentioned in his introduction tonight, which are cited over and over again. “Laying the Ghost of the Invention Requirement” is about the nonobviousness requirement and its background. Judge Pauline Newman, for whom this Inn is named, is a joint author of a patent casebook.

What I want to do for the balance of my time is look at four topics: (1) Subject Matter Jurisdiction Over Patent Cases; (2) Inequitable Conduct; (3) Patent Eligible Subject Matter, and (4) the America Invents Act and its definition of prior art. What I am going to show you, consistent with the title of this talk, is that yesterday I wrote about these subjects, today things are happening or have happened, and tomorrow holds all sorts of possible outcomes. My theme for tonight is “patent law, yesterday, today, and tomorrow.”

Subject Matter Jurisdiction Over Patent Cases

As recently as a few weeks ago, the Supreme Court reminded me that I had written on the first topic, subject matter jurisdiction over patent cases, as my “tenure” article back in 1971. My article’s title was “The Allocation of Jurisdiction Between State and Federal Courts in Patent Litigation,” which sounds a little obscure. But the article may be informative to you because it suggests why I subsequently embarked on writing a treatise on patent law. The primary interest of my professional career is the role of the federal judiciary. I think our federal courts are incredibly important players in our entire constitutional system. It is intriguing to see the defined, limited, but important role of federal judges, as well as the interplay between state and federal law.

Early in my academic career I took some advice from Professor Charles Black of Yale Law School, who was a constitutional law scholar. His advice, to me and others, was that if you really want to understand the Constitution and the federal system, don’t just study it in the abstract. Take some very specific area of substantive or procedural law that has repeatedly occupied the attention of federal judges and work it, learn it, and write about it.

Professor Black wrote about admiralty and maritime law, which has been a feature of federal court jurisdiction for hundreds of years. So, I couldn’t take that topic, right? *Gilmore and Black on Admiralty* is the bible of admiralty and maritime law. Bankruptcy would be another great topic, but the Collier treatise on bankruptcy was already out there. I was already interested in intellectual property law, and started, from the beginning, teaching copyrights, patents, and trademarks. But copyright law was taken by Professor Nimmer’s treatise, trademark law was taken by Professor McCarthy, so what was left? Patent law, of course.

The long and rich history of patent law was a great attraction for me. Patent law has occupied the attention of the federal judiciary for over 200 years. It presents great challenges: technical subject matter; problems of evidence; issues of what you might call “administrative law” in relation to determinations made by the Patent Office. (Remember: the Patent Office today is called the “PTO” or “USPTO,” but it wasn’t until 1975. It really irritates me when someone writes that “back in 1972, the PTO did this or that.” In 1972 the agency was the Patent Office, not the Patent and Trademark Office. I have thing about historical accuracy!)

Patent law was the work product of great judges and lawyers dating back to the early 19th century. How many other areas of federal court business can lay the same claim? I have been thinking about some of those great judges and lawyers. Joseph Story is famous, of course. He was a trial judge, he was a Supreme Court Justice, he taught, and he wrote. Story was on the Supreme Court for an incredible 34 years, from 1811 to 1845. And when he rode circuit, he *rode* circuit; Story rode a horse from Boston to Washington, D.C., to hear cases.

Recently, I’ve been reading Doris Kearns Goodwin’s book, “Team of Rivals,” about Lincoln’s cabinet. We all know that Lincoln argued patent cases, and indeed got a patent. But Goodwin tells us that, after William Seward was the Governor of New York from 1838 to 1842, he “... resumed his law practice concentrating ... on lucrative patent cases”! Apparently patent practice was lucrative in 1842. I am told that it is not so bad in 2013. How many other areas of the law could we say that about? Meanwhile, Seward also represented fugitive slaves, and was a notable lawyer of his time. He became Secretary of State under Lincoln and then Johnson. On the government’s behalf he bought Alaska, which became known as “Seward’s Folly.” If you do patent law, great things may lie in your future.

Let me return to my 1971 article on subject matter jurisdiction and what I said there, and then relate it to the Supreme Court's *Gunn v. Minton* case decided just a few weeks ago [*Gunn v. Minton*, 133 S. Ct. 1059 (Feb. 20, 2013)]. We have long had two overlapping statutes that confer jurisdiction. Relating to patents, first we have 28 U.S.C. § 1331, which gives the federal courts jurisdiction over cases arising under federal law. Second, we have 28 U.S.C. § 1338, which gives the federal courts jurisdiction to hear cases arising under the patent laws, roughly speaking, which is federal law, of course. So there is an overlap. At least at the time I was writing my article, the difference was that Section 1338 was exclusive of state courts (that is, limited to the federal courts), whereas Section 1331 was not. Section 1331 also had an amount in controversy limitation, which has since been abolished.

The problem my article addressed is under which law does a case arise? Historically, there were two conflicting interpretations. There was the "creation test," which says a case arises under the law that creates the cause of action (that is, the law that creates the plaintiff's right to sue). The alternative, and broader test, was the "substantial issue" test, which provided that a case arose under the law that governs an issue, which is necessarily a part of the plaintiff's cause of action, even if a state law created the cause of action. There was variation in the Supreme Court precedent about that, going well back.

The types of cases that I worried about are, for example, suits for a breach of contract such as a patent license. A license dispute can present state law contract issues, but it can also potentially present patent law issues. Oftentimes the royalty obligation extends only to products that are covered by the patent, so in construing the royalty obligation, as a matter of a contract law, you are also interpreting the patent, as a matter of patent law. Also, the invalidity of a patent, especially under the Supreme Court's 1969 *Lear v. Adkins* decision [*Lear, Inc. v. Adkins*,

395 U.S. 653 (1969)], could be a defense to a breach of license suit. In fact the *Lear* case, which was not popular in its time (and has not been popular since with the Court of Appeals for the Federal Circuit), was actually a California state court case. It was on *certiorari* to the United States Supreme Court from the California state courts.

In addition to contract claims, there are tort claims. Unfair competition, for example, includes allegedly false charges of patent infringement that damage someone's business. That type of state unfair competition law case may involve patent issues.

There is an awkwardness to exclusive jurisdiction, because lack of jurisdiction can be raised at any time by a court on its own motion. It is particularly important to have clear lines on jurisdiction, especially when it's exclusive. There is a general principle that state courts are competent, and indeed obligated, to apply federal law in cases to which it is applicable. State court judges are bound by the federal constitution.

Young law scholar that I was, I came up with what I thought was a creative suggestion. I said that you should distinguish those two statutes, Section 1331 and Section 1338. Section 1338, the one that specifically refers to patents, I said should be governed by Justice Holmes' "creation test." There was historical justification for this. Section 1338 was narrowly limited to infringement suits, and later, to the mirror image of an infringement suit--a declaratory judgment suit. It wouldn't apply to any tort or contract action even if federal patent law issues were implicated. After all, infringement suits are really the only patent-related causes of action that Congress expressly created.

On the other hand, I thought that the "substantial issue" test could apply under Section 1331 to cover the kinds of contract and tort suits that involve patent issues. The advantage there is that the jurisdiction would be concurrent, not exclusive.

That was my proposal in 1971. There was some historical basis for my proposal. The statutes in patent cases come from very early days. Section 1338 has its origins in the Patent Acts of 1793 and 1800. Whereas Section 1331 came only after the Civil War and the great expansion of federal authority. I was very proud of myself. And there the article sat.

But some very unanticipated events occurred thereafter. I never imagined that Congress would create an appellate court and define its exclusive appellate jurisdiction by reference to that Section 1338 statute that I had so carefully analyzed. I was only thinking about state court and federal court. And indeed, in my view, that was probably a mistake. Congress should have thought of another way to define the jurisdiction of the Federal Circuit other than by lazily referring to Section 1338(a). Back in 1982, when I first saw the enabling legislation for the Federal Circuit, I said “wow, there’s my article.”

Six years later, in 1988, along comes the Supreme Court to interpret the Federal Circuit’s jurisdiction. *Christianson v. Colt* involved an antitrust claim based alternatively and in part on the assertion that the defendant had violated the antitrust laws by monopolizing the market for the interchangeable parts of M-16 rifles. The argument was that the antitrust defendant previously had patents in which they failed to disclose the best mode, which was necessary to make interchangeable rifle parts. But the jurisdictional issues in *Christianson* were difficult. The appellate courts played ping-pong with the case, which was amusing for observers but not really very funny for the parties. The Seventh Circuit said this was a patent case that should go to the Federal Circuit, and the Federal Circuit said this was not a patent case so it should go the Seventh Circuit. We had two federal appellate courts each saying “we don’t have jurisdiction.” That would not do.

The Supreme Court intervened and said that *Christianson* did NOT arise under patent law, that is to say the case did not meet the “creation test,” because the claims were federally created but not created by an act of Congress relating to patents. The case did not meet the “substantial question” test either, because the patent issue was not a necessary element of the complaint. In other words, the theory of recovery of the complaint would allow recovery without proving a best mode violation.

Unfortunately, the Supreme Court dashed my theory that Sections 1331 and 1338(a) should be given different interpretations even though both used the words “arising under.” The Supreme Court said no, for reasons of linguistic consistency we must interpret them in the same way.

Does that mean I was all wrong? I maintain not, because of the Supreme Court’s 2013 decision in *Gunn v. Minton*. The Court admitted that the law has been a mess, especially with attempts to apply the “substantial question” test. Chief Justice Roberts in *Gunn* was rather colorful in his language, observing that “[i]n outlining the contours of the category of cases that arises under federal law even though they have origins in state law, we do not paint on a blank canvas. Unfortunately, the canvas looks like one that Jackson Pollock got to first.”

I want to spend some time discussing *Gunn v. Minton* because it’s interesting, and again, because it raised the jurisdictional issues I was writing about in 1971. How enthusiastic could one get to see this case? It involves whether state courts have jurisdiction over actions for legal malpractice in handling patent issues. In 1971 I didn’t think of malpractice actions. I thought about contract actions and tort actions. I wish I had envisioned what would happen if you sued an attorney for legal malpractice in handling a patent matter, but I didn’t. The issue of malpractice

in patent matters has been the focus of a large number of both state and federal court decisions over the past ten years.

Here are the facts of *Gunn v. Minton*. The inventor develops a computer program called “TEXCEN” for securities trading. In March 1995, the inventor leases the system to a broker. On June 28, 1996, the invention files a provisional application followed thereafter by a nonprovisional application. (A light bulb should be going on in your minds because, of course, more than a year has passed between the lease and the application filing.) The application issues as a patent. The patentee brings an infringement suit against a securities dealers association. A district court grants summary judgment that the patent is invalid. The district court holds that the leasing of the TEXCEN computer program placed the invention on sale more than one year before the patent’s filing date. The claims were somewhat distinguishable from what had been placed on sale, but the claimed subject matter was obvious in view of that subject matter. At this point, the patent owner moves for reconsideration, arguing that the leased system was merely in experimental use. The motion is denied because the patentee raised it too late. In other words, the experimental use issue was not decided on the merits.

The case was appealed to the Federal Circuit, which, in 2003, affirmed that the patent was invalid [*Minton v. National Assoc. of Securities Dealers, Inc.*, 336 F.3d 1373 (Fed. Cir. 2003)]. The Federal Circuit’s *Minton* decision is an interesting precedent on the meaning of the on sale bar. The Federal Circuit deemed the lease to be a sale because it included a fully functioning computer program. The court distinguished a prior Federal Circuit case involving something like a license or a lease, in which the court had said that neither the transfer of know-how nor the license of rights is a “sale.”

The Federal Circuit in *Minton* agreed with the district court that the issue of experimental use was raised too late. But patent owner Minton's attorney made an interesting argument, contending that, because another recent Federal Circuit decision, the *EZ Dock* case [*EZ Dock v. Schafer Sys., Inc.*, 276 F.3d 1347 (Fed. Cir. 2002)] "changed the landscape" of experimental use law, he was excused from not having raised the issue sooner. The Federal Circuit was unimpressed.

Meaning of "On Sale" Under the America Invents Act of 2011

Sidebar! Timeout! Because we are talking about the on sale bar, let's discuss the meaning of that phrase under the America Invents Act (AIA). Would the activity at issue in *Minton* trigger an on sale bar under the AIA? The AIA's primary definition of prior art is found in 35 U.S.C. § 102(a)(1) (eff. Mar. 16, 2013), which refers to the claimed invention having been "patented, described in a printed publication, or in public use, on sale, *or otherwise available to the public* before the effective filing date..." This statutory language changes many things from the prior Section 102, such as referring to the effective file date rather than the date of invention. But like the prior Section 102, the AIA-implemented Section 102 also refers to "on sale." Would we reach the same result—that the software lease was an on sale event--if *Minton* were decided under the AIA?

For example, assume that the license included a confidentiality obligation, or that the use of the licensed software did not reveal the inventive features to the public (at least not before the "critical date"). So, would it be on sale? In other words, did the AIA change the established law interpreting the meaning of "on sale"? We have one entity's view on that, and we are in their building this evening--the U.S. Patent and Trademark Office. On February 14, 2013 (Valentine's Day), the agency came out with PTO Examination Guidelines dealing with this general subject.

After receiving much commentary and suggestions from the public, the PTO decided that indeed the AIA does change the prior law. The PTO view is that the sale must make the invention available to the public. Otherwise, prior case law will continue to govern what constitutes on sale.

Thus, taking *Minton* as our hypothetical, is a lease or license a sale or not? The answer depends, as we just saw, on the case law. What about the experimental use doctrine? As I read the Guidelines, the PTO said, “Whoops, we don’t know about that. No comment.” Would you admit that this is a good issue to think about? The question is whether the PTO’s interpretation will hold up, particularly if reviewed by the Supreme Court. An argument might be that the PTO’s interpretation renders statutory language superfluous. The PTO says something in “public use” or “on sale” has to be “available to be public,” but “available to the public” is already in the statute. Don’t we presumptively give all the words in the statute some meaning? In contrast, there was clear reason to include “printed publications” and “patented”, in addition to “available to the public,” because that makes a difference in things like *inter parties* review.

We will have to wait and see how the courts interpret the meaning of “on sale” under the AIA. But it is clear that the PTO’s interpretation in a sense *lowers* the standard of patentability. Previously unpatentable subject matter, such as subject matter that has been used as a long-term trade secret, becomes patentable.

Let me give you some justifications for that. Harmonization might be one of them, that is, harmonizing the treatment of prior art under other patent systems, which do require public availability. It would arguably reduce uncertainty and litigation costs of difficult issues like “on sale.” It would induce disclosure—persons who have been practicing a trade secret might be induced to make it publicly available through a patent application.

But has Congress ever done this before? Has Congress, in the history of the patent system, ever expressly and clearly *lowered* the standard of patentability? Some forcefully argued that in the 1952 Patent Act, the newly-added Section 103 lowered the standard of obviousness from what it had been under pre-1952 Supreme Court cases. But in the 1966 *Graham v. Deere* case, the Supreme Court disagreed. Indeed the Court stated that it might be unconstitutional for Congress to do so. Look at the language from *Graham*. It says that “Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must ‘promote the Progress of * * * useful Arts.’ This is the standard expressed in the Constitution and it may not be ignored.” *Graham*, 383 U.S. at 6.

In my view there is a serious constitutional question about whether Congress can suddenly make patentable material that has been on sale in the sense of a trade secret. We could avoid that constitutional question by construing the statute the other way; that is, by maintaining the prior law as to what “on sale” or “public use” meant.

Incidentally, I can think of one example in which Congress expressly lowered the standard of patentability. That was when the Patent Law Amendments Act of 1984 [Pub. L. No. 98-622, § 1, 98 Stat. 3383, 3384 (1984)] disqualified commonly owned prior inventions as prior art for obviousness. That disqualification is carried forward in AIA-implemented 35 U.S.C. § 102(c). But interestingly, that statute granted intervening rights for those who reasonably relied on the invalidity of existing patents. Really, that legislation corrected merely a handful of Federal Circuit and CCPA cases, which arguably may have been wrong anyway. The 1984 prior art

disqualification was nothing like overturning the venerable doctrine that secret commercialization by an inventor bars a patent.

End of sidebar. Let's return to *Gunn v. Minton*. Remember, the patent has been held invalid. The inventor files a legal malpractice action in a Texas state court against the attorney. The allegation was that the attorney's failure to raise the experimental use argument sooner caused Minton to lose his patent and lose the lawsuit to his great economic harm. The trial court granted summary judgment for the attorney, and against the patent owner (who is now plaintiff against the attorney). The reasoning of the trial court was that there was no evidence that the lease was experimental. Therefore, there was no showing of the necessary element of causation. That is, the inventor would have prevailed but for the attorney's failure to properly raise the experimental use exception to "on sale" bar. This is known among malpractice attorneys as the "case-within-a-case" requirement. To establish a malpractice case you have to prove the earlier case.

The inventor/patent owner/plaintiff appealed. He argued that this case arose under patent law, federal courts have exclusive jurisdiction, so the judgment is void. Now this is an oddity of the law of jurisdiction that is quite peculiar. After all, who brought the action in state court in the first place? The inventor. This is one of the few areas in which a party can seek to overturn a judgment based on its own mistake of filing in the wrong court. But indeed it is the law that jurisdiction is, after all, jurisdictional; it can be raised at any time, by anyone, including the court.

One of the things not discussed in the case is whether the statute of limitations would bar a new suit in Federal court. The inventor apparently thought that that "I have to get rid of this judgment in the state court so I can start all over again suing for malpractice in federal court."

But, of course, there is the small matter that a fairly short statute of limitations might apply against any new suit.

Next, the case went up to the Texas Court of Appeals--state court. The Texas Court of Appeals upholds its jurisdiction, following the Supreme Court's *Grable* case [*Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 30 (2005)]. The Texas court said that on the merits, experimental use was not established. I read the Texas Court of Appeals' opinion and thought about how it stacked up vis-à-vis Federal Circuit precedent on "on sale" and experimental use. The Texas court didn't do a bad job at all, I must say. They reviewed and applied Federal Circuit case law on experimental use, and noted the significant factor that the inventor never told the lessee/broker about the experimental purpose. It was certainly a credible job of applying federal patent law under Federal Circuit precedent as deemed effectively binding, even though there could be no appeal to the Federal Circuit.

There was an appeal to, or review by, the Texas Supreme Court. The majority of the Texas Supreme Court said there was no jurisdiction. The case arises under patent law; therefore, federal jurisdiction is exclusive. The Texas Supreme Court relied on Federal Circuit cases, particularly those decided in 2007 [*see Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007); *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007)], which upheld jurisdiction in federal court over malpractice actions. The Texas Supreme Court reasoned that there was a substantial federal patent law question: the viability of the experimental use exception to the "on sale" bar.

The case, now styled *Gunn v. Minton*, went up to the U.S. Supreme Court. In a 9-0 opinion authored by Chief Justice Roberts, the Court reversed [*Gunn v. Minton*, 133 S. Ct. 1059 (Feb. 20, 2013)]. The Supreme Court tells us that there are four requirements from *Grable* that

must be satisfied when you are talking about federal jurisdiction over a state law claim. Such jurisdiction will lie if you have a federal issue that is (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal/state balance approved by Congress.

The Supreme Court in *Gunn* held that the third requirement, that the issue be substantial, was not met. The issue must be important to the federal system, *not* just to the parties. This issue was clearly important vis-à-vis the plaintiff and defendant in potential recovery for malpractice, but it wasn't important, for example, to the validity of the patent. The patent had already been held invalid. That judgment was final. The Texas state court ruling was not binding precedent.

But the inventor-plaintiff argued that there was a real-world effect here; the state court's answers to the hypothetical questions could have a real-world effect. For example, the ruling might affect ongoing patent rights such as the inventor's pending continuation application. But that in turn raises the interesting question: would a PTO Examiner would be bound by a state court ruling?

The Supreme Court didn't finally resolve that question, but it cited the MPEP! The United States Supreme Court cited the *Manual of Patent Examining Procedure* on the subject of *res judicata*, saying that it appeared examiners are only bound *res judicata* by prior Board decisions or by reviewing court decisions such as those of the Federal Circuit. Further, the Supreme Court said, even if the state court's ruling was in some sense preclusive, it was still limited to the parties. I'm not sure that is true. The applicant may argue that he is entitled to a patent on his continuation application and wants to assert it against a third party.

It is difficult to disagree, however, with other language in *Gunn* concerning state court competence on federal questions. State courts can and do decide federal questions. As we have seen, they seem to be able to handle patent law questions.

With respect to the fourth requirement, the federal-state balance, the Court in *Gunn* said that the general federal interest here is low because the patent is already invalid. It is not precedential. But the state interest is high: the ability to regulate the conduct of lawyers, who are officers of the court.

Gunn v. Minton speaks to today. What about tomorrow? Remember, my theme is “Yesterday, Today, and Tomorrow.” What is the effect of *Gunn* on other state law claims with patent elements? For example, what about other types of patent malpractice actions in which the patent previously has not been held invalid? Or other state law claims for breach of license or tortious interference, in which, again, there have been no prior ruling?

Interestingly, the Supreme Court seemed to think it was ruling very broadly. The Court said, “We think state malpractice actions will *rarely, if ever*, arise under federal patent law....” I’m just not so sure that’s true. It’s not always going to be the case that the state court ruling is what the Supreme Court called “hypothetical” or “backward-looking.” Moreover, there can be malpractice actions that involve live patents. For example, the Federal Circuit’s 2007 patent malpractice decisions involved patent owners who alleged that patent attorney error had lowered the value of their patents; there were no federal court rulings of invalidity. And, of course, there are state license and tort claims. It will be interesting to see whether it’s critical that there is “still-living” patent.

Consider the removal of state court suits to federal courts. Generally, you can remove a state court suit to federal court if the case is within the federal court's jurisdiction. But time limits apply; for example, thirty days after the complaint has been served.

Of interest here is Section 19(c)(1) of the America Invents Act, on removing actions that arise under patent law. It provides that a state court suit that asserts a claim for relief arising under patent law can be removed, without regard to the time limits necessarily, and not just by the defendant. For example, a plaintiff who brought a patent case in state court but determines that that was a mistake can remove it to federal court where it belongs. But the AIA provision doesn't address what the Supreme Court was ruling on in *Gunn v. Minton*, which was when does a case arise under patent law.

Inequitable Conduct

Perhaps you were a little uncomfortable with my jurisdictional discussion because we were talking about malpractice actions against patent attorneys. Unfortunately, my next topic may be a little uncomfortable, too. But the doctrine of inequitable conduct was another issue that prompted me to write a treatise on patent law.

After graduating from law school, I was a law clerk for Judge Shirley M. Hufstедler on the U.S. Court of Appeals for the Ninth Circuit. At that point in time, the "regional" circuits still had jurisdiction of appeals in patent cases, and retained that jurisdiction until the 1982 creation of the Federal Circuit. So, I was law clerk, doing what law clerks do, researching problems. A case I was researching eventually issued as the opinion in *Monolithic Portland Cement [Monolithic Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp., 407 F.2d 289 (9th Cir. 1969)]*. A district court had awarded attorney fees for multiple instances of inequitable conduct, including failing to disclose an "on sale" bar and for making false statements in a petition to make special.

Like most recent law school graduates, at least of that era, I didn't understand some of basic patent law concepts such as: What is a "continuation-in-part application?" What is a "petition to make special?" My instinct was to find a good reference text that would explain these concepts in terms that were reasonably clear. What were the origins and purposes of these concepts?

I was told that, unfortunately, there really was no good, up-to-date treatise on patent law at that time. This kindled the spark of the idea. I thought that someday, when I had the time, I might write a treatise to answer those kinds of questions.

Maybe I succeeded, because in *Gunn v. Minton* the Justices addressed an argument about "continuation" patent applications. Chief Justice Roberts cited my treatise (*see* Chisum, § 13.03). Apparently I succeeded!

I am still proud of the *Monolithic Portland Cement* case. The patent owner argued that false statements in a petition to make special were not "material" to patentability, and therefore, could not be the basis of inequitable conduct. In 1994, the Federal Circuit in the *General Electro Music* case [*General Electro Music Corp. v. Samick Music Corp.*, 19 F.3d 1405 (Fed. Cir. 1994)] actually cited the Ninth Circuit's *Monolithic Portland Cement* case for its holding that such statements could be material. So, that's yesterday.

Many of you are familiar with the Federal Circuit's *en banc Therasense* case, which changed the law of materiality [*Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*)]. *Therasense* held, roughly, that although materiality is not required for affirmative false statements, "but for" materiality is required for omissions.

The question remains: must the statements relate in some way to patentability? This was addressed somewhat in the Federal Circuit's 2012 *Outside the Box Innovations* case [*Outside the*

Box Innovations, LLC v. Travel Caddy, Inc., 695 F.3d 1285 (Fed. Cir. 2012)], which concerned allegedly false statements in a small entity status affidavit. I believe that Judge Newman had some comments about that in a dissenting-in-part opinion.

I still like Judge Hufstедler’s language in *Monolithic Portland Cement*. In working on that case as her law clerk I was trying to get my head around the question whether a statement was material when all it had to do with was with the timing of the examination. I drafted some language, which wasn’t very good. Judge Hufstедler threw away my language and came up with a great phrase: “the use of willfully false testimony cannot be fully rinsed away with a solution composed primarily of legal semantics.” Wow, that’s cool!

Over the years I’ve written journal articles about inequitable conduct. One I’m proud of was published in 1987; it compared inequitable conduct and willful infringement [Chisum, *Patent Law and the Presumption of Moral Regularity: A Critical Review of Recent Federal Circuit Decisions on Inequitable Conduct and Willful Infringement*, 69 J. PAT. AND TRADEMARK OFF. SOC’Y 27 (1987)]. My general thought was that these two doctrines, which focused on the conduct of attorneys and their mental states, were distracting from what should be the core focus of a patent suit, which was the scope and validity of a patent. Scope and validity issues are difficult enough, but on top of that the patent owner says “not only did you infringe my patent, but also you did so willfully, and therefore, I get multiple damages,” and the accused infringer says “not only is your patent invalid or not infringed but you committed inequitable conduct and therefore I get massive attorney fees.” These arguments were sideshows, if you will, distracting from the main arena.

There remains a question about “tomorrow”: will *Therasense* survive Supreme Court review? There is an irony to *Therasense* that I throw out as an idea for those of you who may be

thinking about this. In *Therasense*, the majority in effect repudiated prior panel decisions, not only precedent that had required gross negligence as a threshold but also precedent on balancing intent and materiality. Among the cases that *Therasense* in effect disregarded or repudiated was the *American Hoist* decision in 1984, written by Judge Giles Rich [*Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984)].

The irony is that just days after the Federal Circuit issued *Therasense* on May 25, 2011, the Supreme Court decided the *Microsoft* case on June 9, 2011 [*Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011)]. The issue in *Microsoft* was not inequitable conduct; it was the “clear and convincing evidence” burden of proof for invalidating an issued patent. The Supreme Court in *Microsoft* gave great weight to the views of Judge Rich in--you guessed it--*American Hoist*, which the Federal Circuit had repudiated just a couple of weeks before in *Therasense*. If inequitable conduct comes before the Supreme Court (and in many, many ways I hope it does not), there is some chance that the Court would be persuaded by arguments urging that “let’s look back at what Judge Rich said in 1984, and not what the Federal Circuit has said while oscillating back and forth over the years.”

Patent Eligible Subject Matter

Let’s turn to my third topic for this evening, which is patent eligible subject matter. In 1986 I addressed the topic in what is probably my best scholarly effort (I won’t be modest here). My article [Chisum, *The Patentability of Algorithms*, 47 U. PITT. L REV. 959 (1986)] systematically dismantled the Supreme Court’s 1972 *Benson* decision [*Gottschalk v. Benson*, 409 U.S. 63 (1972)]. I wrote that there is no “exception” to 35 U.S.C. § 101 for “abstract ideas.” There just isn’t. All kinds of things are wrong with the *Benson* case, including the case authority that the Court discusses. But *Benson* is there. I question whether the law regarding Section 101

patent eligible subject matter will ever really be rationalized and made sensible until we do away with *Benson* and the core idea it expresses. That was my article, and my argument was powerful. Trust me, read it. So, that's "yesterday."

What's "today" for patent eligible subject matter? Chaos! The topic continues to confuse. The Supreme Court has not restricted *Benson* and Congress did nothing about it in the America Invents Act of 2011.

When the Supreme Court in 2010 issued its opinion in *Bilski* [*Bilski v. Kappos*, 130 S. Ct. 3218 (2010)], I was inspired to write not one but two articles: one condemning *Bilski* [see Chisum, *Patenting Intangible Methods: Revisiting Benson (1972) after Bilski (2010)*, 27 SANTA CLARA COMPUTER & HIGH TECH. L.J. 445 (2011)] and one praising it [see Chisum, *Weeds and Seeds in the Supreme Court's Business Method Patents Decision: New Directions for Regulating Patent Scope*, 15 LEWIS & CLARK L. REV. 11 (2011)]. If the Supreme Court can be illogical and inconsistent, you can too as a scholar. Don't just write one article, write two and say different things!

Patent Law Reform: The America Invents Act

My last topic for this evening, very briefly, is patent law reform and the America Invents Act of 2011. I used to be extremely intrigued by 35 U.S.C. § 102. I was never happier than sitting down and parsing out those words and subsections in 102--where they came from, how they meant more than they said, and how they meant less than they said! The distinctions between activity in this country and elsewhere were great fun. Here is a series of my articles about all that:

- Chisum, *Sources of Prior Art in Patent Law*, 52 WASH. L. REV. 1 (1976);

- Chisum, *Foreign Activity: Its Effect on Patentability under United States Law*, 11 INTERNATIONAL REVIEW OF INDUSTRIAL PROPERTY & COPYRIGHT LAW 26 (1980);
- Chisum, *Prior Invention and Patentability*, 63 J. PAT. & TRADEMARK OFF. SOC'Y 397 (1981).

I always assumed we would come to patent harmonization and patent law reform, and I have written articles about that too [see Chisum, *Introduction to Symposium on International Patent Law Harmonization*, 26 J. MARSHALL L. REV. 437 (1993); Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336 (2005)]. But one of the things you should do with harmonization and reform of the statutory law is simplify, simplify, simplify.

Today, if one intended to truly simplify the U.S. patent laws, you wouldn't have anything like the old Section 102. You would probably have something more like Article 54 of the European Patent Convention, which in one or two sentences succinctly defines what is prior art. That would take away the fun and mystery of parsing our Section 102, but would not simplification be better for the public interest?

What does the America Invents Act do? It is a new Section 102! It has all kinds of intricacies and ambiguities. I could write volumes and numerous articles about it, and you can too! It would be great fun. But the new Section 102 is not so good for the public interest, in my view. Congress didn't do what many thought it should. The AIA is not the Federal Circuit's fault. It is not the Supreme Court's fault. This one we can lay on the Hill.

One positive thing the AIA has done for me is creating a couple of challenges. One is how to integrate it into my treatise proper. I am in the process of adding another volume, which is also reproduced in the paperback version of the *Patent Law Digest*. It covers the AIA section-

by-section, with cross-references to the parts of the treatise proper that analyze, compare, and contrast the relevant case law.

Another challenge the AIA has created for me is to train people in its intricacies. That is one of the things that Professor Janice Mueller (my partner in life and law) and I have been doing by conducting seminars as part of our small business, the Chisum Patent Academy. We spent a lot of time covering the AIA in our seminars held over the last year or two. Determining which patent applications the AIA applies to is one of the most intriguing issues we've debated—really quite interesting and fascinating.

Suggested Article Topics

My suggestion, almost in parting: start writing those articles! Here are two topics, in case you say, “that is all well and good, but tell me what should I write on.” A first topic: must a foreign priority application under 35 U.S.C. § 119(a) disclose the “best mode?” In Section 15(b), the AIA says expressly that best mode is not necessary for a continuing application under 35 U.S.C. § 120. And it's not necessary in a provisional application to support a later claim. But nothing is said about foreign priority situations under 35 U.S.C. § 119(a). One possible interpretation is that this is a way in which the AIA traps non-U.S. applicants. Because when an inventor first files in Japan and doesn't put in the best mode, they haven't disclosed enough to satisfy the best mode obligation for a U.S. patent (assuming that still exists under 35 U.S.C. § 119(a)).

Another interesting topic stems from the recent *Akamai* case [*Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010) (*en banc*)]. The Federal Circuit discussed the need to prove direct infringement in order to establish indirect infringement, and the problem of divided infringement and the like. A lot has already been written on that. But one

of the interesting questions that came up in our seminars was how do other countries handle that problem? We learned that, apparently, Germany has never required proof of direct infringement to require indirect infringement. So if you have a bent toward comparative law analysis, that would make a good topic.

By the way, Judge Newman writes a great opinion in the *Akamai* case. I don't think she quoted Shakespeare, but she should have--*Romeo & Juliet*. The Federal Circuit decision is sort of like the two warring sides: the majority and the dissent. A pox on both your houses! That's a rough parody of Shakespeare.

Another good topic one is inherency and obviousness--all kinds of issues there.

I have come to the end of my time. I haven't had a chance to cover all my articles. There are many more out there. I list them in the Appendix.

Finally, if you have any interest in the PowerPoint slides that accompanied this talk, send an e-mail to the Chisum Patent Academy at info@chisum.com and we will send you back a copy. I know I ran a little long, but I appreciate your patience. Thank you.

Appendix

Other Chisum articles on patentability:

- *Afterthoughts and Undisclosed Advantages as Evidence of Patentability: From Salt Dredges to Polystyrenes*, 57 J. PAT. & TRADEMARK OFF. SOC'Y 437 (1975).
- *Anticipation, Enablement and Obviousness: An Eternal Golden Braid*, 15 AIPLA Q.J. (1987).
- *Written Description of the Invention: Ariad (2010) and the Overlooked Invention Priority Principle*, 2010 PATENTLY-O PATENT L.J. 72.

Other Chisum articles on claim scope and infringement:

- *The Scope Of Protection For Patents After The Supreme Court's Warner-Jenkinson Decision: The Fair Protection—Certainty Conundrum*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1 (1998).
- (With S. Farmer) *“Lost in Translation”: The Legal Impact of Patent Translation Errors on Claim Scope*, PATENT LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH, Toshiko Takenaka, ed. (2009).